



Legal Services
Supervisory
Authority



**Real Estate
Transactions**



**Asset & Wealth
Management**



**Managing Bank and
Investment Accounts**



**Company Formation
& Fundraising**



**Business & Legal
Services**

RELEVANT FINANCIAL BUSINESS

Presented on 23/04/2026

Overview

- ❖ Financial Action Task Force Recommendations & Specified Activities
- ❖ Relevant Financial Business- Schedule 6 of POCA
- ❖ Obligations pursuant to the AMLRs (RFB)
- ❖ Non-RFB Obligations
- ❖ Change in Scope of services provided
- ❖ Key Supervision Expectations for Firms
- ❖ Key Takeaways

This session is intended to lend assistance and give some guidance on RFB.

You, the Attorney-at-Law, will be responsible for determining whether a matter falls within the remit of RFB or not.

You will need to adopt a case-by-case approach in deciding whether a matter is in scope.

If you are unclear, you should seek independent legal advice.

Financial Action Task Force (FATF)

- R.22 mandates that the requirements for CDD, record-keeping, PEPs, new technologies and reliance on third parties set out in R. 10, 11, 12, 15 and 17 apply to legal professionals in relation to certain **specified activities**.
- R.23 requires that measures set out in R.18 (Internal controls and foreign branches and subsidiaries), 19 (Higher-risk countries), 20 (reporting of suspicious transactions) and 21 (tipping-off and confidentiality) should apply to legal professionals, where applicable, when they engage in **specified activities**.

FATF: Specified Activities

The FATF AML/CFT/CPF obligations apply to legal professionals when they prepare for, or carry out, transactions for their client concerning the following ‘specified activities’:

- i. buying and selling of real estate;
- ii. managing of client money, securities or other assets;
- iii. management of bank, savings or securities accounts;
- iv. organisation of contributions for the creation, operation or management of companies;
- v. creating, operating or management of legal persons or arrangements and buying and selling of business entities.

Risk Based Approach

The aforesaid specified activities have been found to be more susceptible to ML/TF activities because they involve the movement or management of client assets.

Proceeds of Crime Act – Schedule 6

14. Financial, estate agency (including real estate agency or real estate brokering), legal and accounting services provided in the course of business relating to —

- (a) the sale, purchase or mortgage of land or interests in land on behalf of clients or customers;
- (b) management of client money, securities or other assets;
- (ba) organisation of contributions for the creation, operation or management of companies;
- (c) management of bank, savings or securities accounts; and
- (d) the creation, operation or management of legal persons or arrangements, and buying and selling of business entities.

Buying & Selling of Real Estate

The sale, purchase or mortgage of land or interests in land on behalf of clients or customers

The buying and selling of real estate often involves the management of funds and other assets, including but not limited to:

- ✓ Holding and controlling client funds (in escrow), and
- ✓ Carrying out transactions on behalf of clients.

Key factors:

- Criminals may purchase real estate to layer illicit funds;
- Globally, real estate accounts for a high proportion of confiscated criminal assets;
- May involve structuring of payments, third party funding and complicated ownership structures.

Buying & Selling of Real Estate

The sale, purchase or mortgage of land or interests in land on behalf of clients or customers

Case Study : The Russian Laundromat—\$20 Billion Laundered Through Law Firms

- Between 2010 and 2014, a sophisticated money laundering operation known as “The Russian Laundromat” moved an estimated \$20 billion from Russian criminals into Western financial systems.
- Law firms were instrumental in this scheme by:
 - ✓ Setting up fake loan agreements between shell companies
 - ✓ Using court rulings from corrupt jurisdictions to justify large fund transfers
 - ✓ Assisting in real estate purchases and investments to legitimise illicit funds

How did this happen?

- Legal professionals in various countries failed to question the legitimacy of corporate structures and financial transactions, effectively allowing criminal networks to exploit the legal system for money laundering.

Managing of Client Money, Securities or Other Assets

- Operating client accounts does not automatically require a legal professional to observe AML/CFT/CPF obligations. These obligations apply when the accounts are used in conjunction with a specified activity under R.22 (RFB).
- As an attorney at law you have a fiduciary duty towards your client when managing their funds and other assets. Managing may include:
 - ✓ Arranging or making transactions on behalf of a client;
 - ✓ Exercising control;
 - ✓ Investment etc.
- Management of funds and other assets by Attorneys may be perceived by criminals as an avenue to integrate tainted funds in the financial system and/or layering in order to obscure the source.

Managing of Client Money, Securities or Other Assets

Case Study: Legal professional removed from practice after ignoring red flag indicators on an aborted transaction – common law country

Stage	Action / Event	Red Flag Indicators
1. Instruction	Solicitor is hired by an intermediary to buy property for "other clients."	* Third-party instructions: No direct contact with the actual buyers.
2. Negligence	Solicitor proceeds without standard protocol.	* Lack of Due Diligence: Failed to verify IDs or source of funds. * No Paper Trail: No written instructions obtained.
3. Deposit	Large sums of money are transferred into the solicitor's Client Account.	* Unverified Funds: Money arrived before the solicitor even met or vetted the clients.
4. The "Abortion"	The property transaction is suddenly cancelled on the same day the funds arrived.	* Speed & Timing: Immediate reversal suggests the "purchase" was just a pretext.
5. The Request	Client requests the solicitor to transfer the funds to a third party.	* Layering: Using a legal professional's account to break the audit trail and make funds look legitimate.
6. Outcome	UK Solicitor is struck off the roll in 2011.	* Professional Failure: Facilitated ML by ignoring glaring "hallmarks" of criminal activity.

Management of Bank, Savings or Securities Accounts

This may include opening of such accounts, control, carrying out transactions or other activities which would be deemed as management.

Financial institutions which are complying with their AML/CFT/CPF obligations may choose not to provide bank accounts to certain individuals who pose a high risk of money laundering or terrorist financing. As such, clients may seek the services of an attorney to act as an intermediary:

- Utilising the integrity of attorney to open and manage accounts on their behalf
- Obscuring BO

Management of Bank, Savings or Securities Accounts

Legal professional coordinates banking activities and sets up companies to assist with laundering

An individual in the Netherlands set up three companies. For one of the companies he held bearer shares. To hide his involvement in the companies he used a front man and a trust and company service provider as legal representatives.

For each of the companies, the legal representatives opened bank accounts with three different banks in different countries. The individual used the three companies to set up a loan-back scheme in order to transfer, layer and integrate his criminal money. He then co-mingled the criminal funds with the funds that originated from the legal activities of one of his companies. Next the front man bought real estate and to finance that transaction he arranged for a loan between the two companies.

Organisation of contributions for the Creation, Operation or Management of Companies

Organisation of contributions for the creation, operation or management of Companies may involve a number of activities which may make the services of an attorney susceptible to being abused by clients.

- ❖ Dealing with cash contributions
- ❖ Managing assets
- ❖ Loans
- ❖ Fund raising
- ❖ Dealing with tax matters etc.

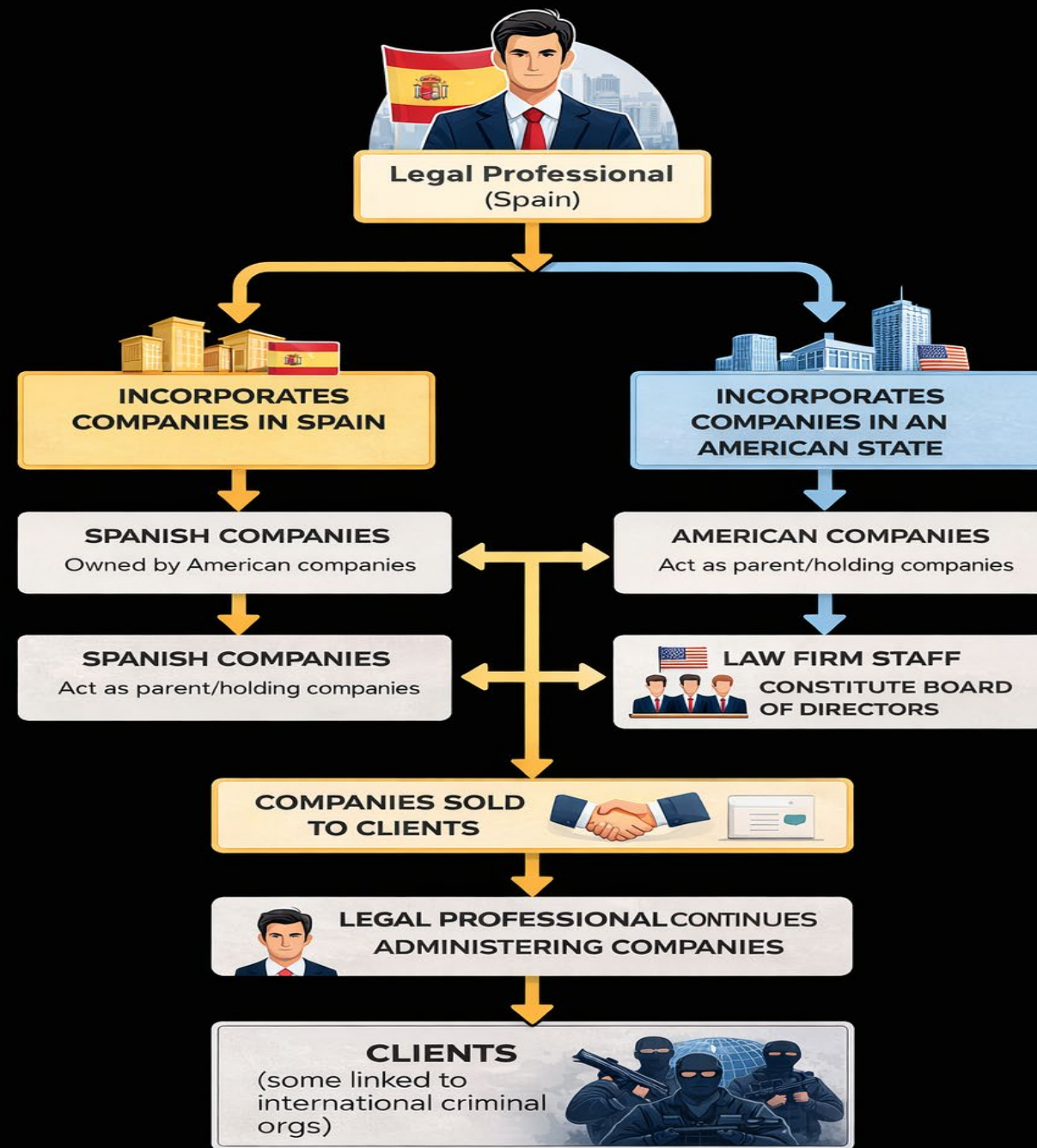
Creation, Operation or Management of Legal Persons or Arrangements and Buying and Selling of Business Entities

Legal persons and legal arrangements are often seen by criminals as potentially useful vehicles to retain control over criminally derived assets while frustrating the ability of law enforcement to trace the origin and ownership of the assets.

- ✓ Shell Companies
- ✓ Shelf Companies
- ✓ Nominee Shareholders
- ✓ Complex legal structure

Creation, Operation or Management of Legal Persons or Arrangements and Buying and Selling of Business Entities

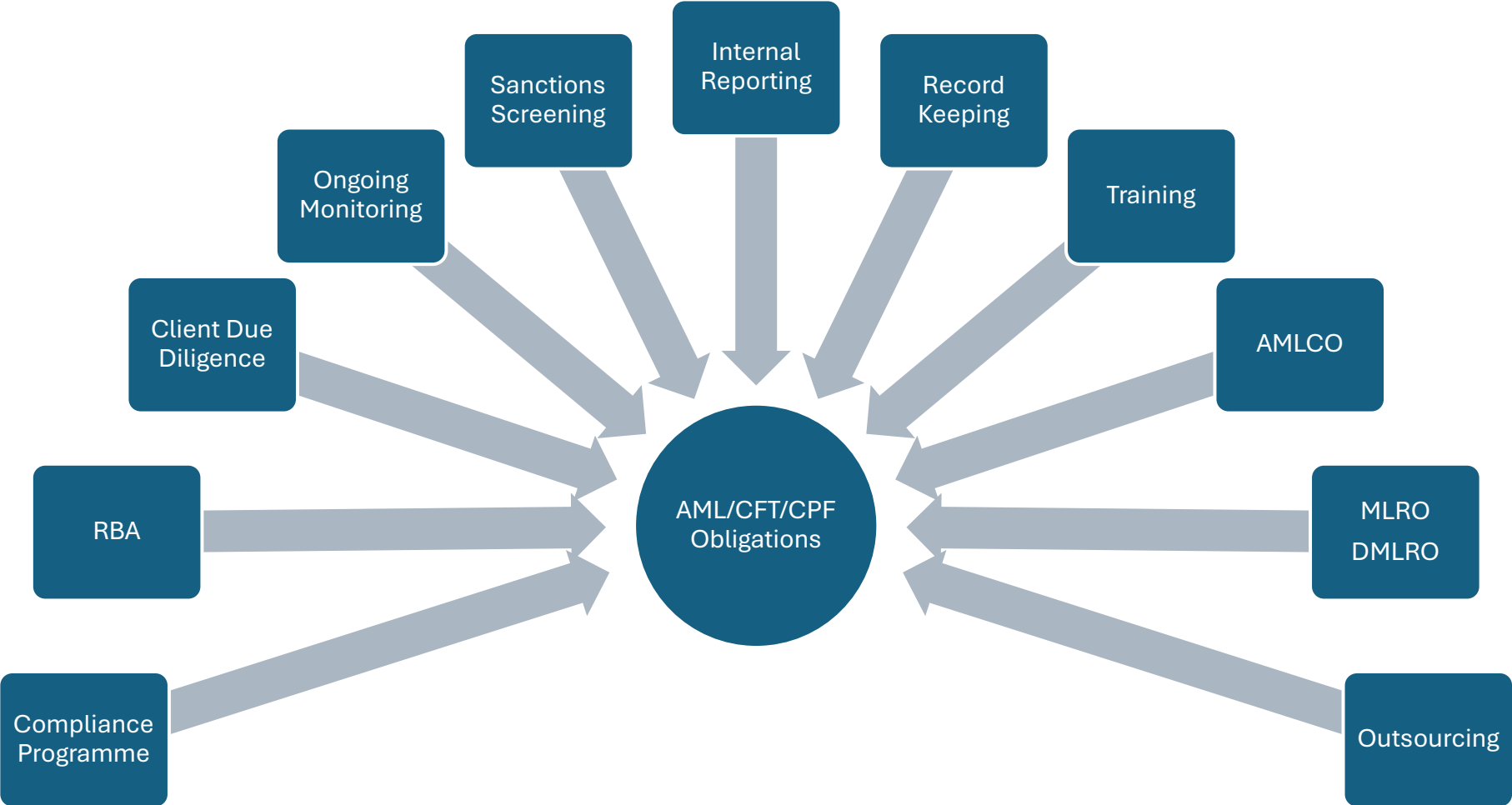
Legal professional sets up multiple international company structures for existing clients



Summary of RFB



Key Obligations under the AMLRS – RFB Firms



Reference: LSSA Notice – 7 April 2026 (see website)

Obligations for Non-RFB firms

❖ **Sanctions Reporting:**

Financial sanctions obligations under the legislation (OOICs, TA and PFPA) require all natural and legal persons to inform the FRA as soon as practicable, with any information that would ‘facilitate compliance’ with the legislation.

- ✓ frozen assets report
- ✓ you know or have a reasonable cause to suspect that a person (i) is a designated person; or (ii) has committed an offence under the legislation
- ✓ the information, or other matter on which the knowledge or cause for suspicion is based, if it came to you in the course of carrying on your business

❖ **SARs Reporting:**

Pursuant to sections 136 and 137 of POCA persons have an obligation to file a SAR where they knows or suspects or has reasonable grounds for knowing or suspecting that another person is engaged in criminal conduct.

Change in Scope

Reg. 55MA(2) provides that DNFBPs (RFB and Non-RFB Firms) shall notify the Supervisory Authority (LSSA) in writing, of any change in —

- (a) information previously requested by the Supervisory Authority under regulation 53AA; and
- (b) the information required to be submitted under regulations 55E and 55F, no later than thirty days after the date on which the change occurs.

Regs. 55E and 55F relates to information to be maintained in the DNFBP Register and Registration Requirements.



Key Requirement: Notify LSSA within 30 days of any change in scope

Change in Scope: RFB ↔ Non-RFB

Non-RFB → RFB

- Notify the LSSA within 30 days of material change
- Submit RFB Registration Form (supervision@caymanlssa.ky)
- Ensure appropriate CDD is conducted
- Implement AML systems, policies and procedures

RFB → Non-RFB

- Cease RFB activity
- Ensure no ongoing activity falls within RFB scope
- No intention to undertake RFB activity
- Remove any advertisement/holding out of RFB activity
- Maintain records of prior RFB matters in accordance with the AMLRs
- Removal from RFB Register

Supervision – Key Expectations for Firms

- Determine Your Status
 - Assess whether activities fall within RFB
- If You Are RFB
 - Maintain appropriate AML/CFT/CPF framework
 - Segregate RFB and non-RFB matters
- If You Are Non-RFB
 - Submit annual declaration by 31 January 2027
 - Monitor activities to ensure they remain outside RFB scope
 - Conduct appropriate CDD on any RFB matter that is undertaken and advise the LSSA within 30 days.
- Good Practice
 - Seek clarification early where needed
 - If unsure, err on the side of caution and consider RFB registration

Key Takeaways

- RFB are specified under Schedule 6 of POCA
- AMLR obligations are driven by activity, not volume
- One RFB matter = full AMLR obligations apply
- SARs and sanctions reporting apply to all firms
- Notify LSSA within 30 days of any change in scope



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Thank You



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